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# INTERNAL BARRIERS TO SMALL BUSINESS EXPORTS

## HEARING

BEFORE THE

SUBCOMMITTEE ON EXPORT EXPANSION

OF THE

## COMMITTEE ON SMALL BUSINESS
## UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

INTERNAL BARRIERS TO SMALL BUSINESS EXPORTS

MAY 14, 1990

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# INTERNAL BARRIERS TO SMALL BUSINESS EXPORTS

MONDAY, MAY 14, 1990

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON EXPORT EXPANSION,
*Baltimore, MD.*

The Subcommittee met, pursuant to notice, at 9:59 a.m. in the Constellation Room, World Trade Center, Hon. Barbara A. Mikulski (Chairman of the Subcommittee) presiding.

## STATEMENT OF HON. BARBARA A. MIKULSKI, A U.S. SENATOR FROM THE STATE OF MARYLAND

Senator MIKULSKI. Good morning, everybody. Why don't we take our seats and let me offer you a cordial welcome here today to this hearing of the Small Business Committee, and the Export Expansion Subcommittee, which I Chair. And I want to welcome our witnesses today from Federal agencies and also people who have hands-on experience. I know that some others are coming.

The purpose of this hearing is to identify what the Federal Government does that helps or hinders our ability to export, and particularly the ability for small business to be able to export.

Those of you who know me know that I feel very strongly about trade being a two-way street. But it is not only my personal feeling; it is what I think our national policy should be. We have one of the best container ports in America and we know that we are going to be doing things for our port to be competitive, to attract imports.

Having said that, though, we hope that when ships come in full that they also leave with cargo. I do not believe that our leading export should be our money. I do not believe our second leading export should be our jobs.

We hope that what we will be able to do is export products and export services, to be part of the dynamic world economy of the 21st century.

I know it is very easy to talk of what other countries do to us that hurts us in our ability to do business around the world, to be Yankee peddlers. But what I am interested in today is what are those self-imposed barriers, either explicit or implicit, that we put on ourselves that could hinder us. I am also interested in what kinds of tools we have out of the Department of Commerce, and so on, that actually facilitate export expansion.

When we think of export expansion, we often think of the big companies like GE. You know, we have GE America, GE Europe,

and so on. But we know that, just as in our economy so much of our growth has been due to small business, we also think that is a tremendous opportunity for export.

Our Governor, and really under Governor Hughes, established the Department of International Trade. Many of us wondered, was that going to be a new bureaucracy or a new tool? To the credit of then Governor Hughes and now Governor Schaefer, we think that is a very important tool that Maryland uses to help its businesses.

At the same time, we are looking at what the Federal Government does to help.

So this morning I am going to welcome our witnesses so that we can move on to our hearing. We have: Mr. David Earle, the Director of the regional office of the Department of Commerce in Baltimore, which is so critical; Mr. Sig Shapiro of Samuel Shapiro and Co., who is a leading freight forwarder, and active not only in Maryland business but nationally in terms of Customs work. We are particularly interested in the role that Customs plays because that is not just rules and regs and law, that is really service.

Peggy Chaplin, an attorney with Ober, Kaler, Grimes and Shriver. She chairs the International Business Committee for the Maryland Chamber of Commerce, which is really primarily for the small business entrepreneurs, and has also been very closely involved in the maritime aspects.

We will be joined later by Peter Bowe of Ellicott Machinery—hi. Right on cue. I am so glad to see you.

Mr. BOWE. Hi.

Senator MIKULSKI. Peter Bowe of Ellicott Machinery Corp., who has given me lots of ideas on trade. I know he is an advisor to Congresswoman Bentley. He has been tremendously helpful to me, and he has really had to adapt one of the oldest businesses in Maryland, Ellicott Dredging, to new market conditions. Ellicott actually did the hardware for the dredging of the Panama Canal. Peter wondered if there was going to be a continued market for dredging equipment, went into engineering services, and now I understand you have even come up with a new product that can take you back into the marketplace.

What we look forward to hearing from these witneses is an inventory of those issues that facilitate or hinder our ability to export. I am going to turn first to Mr. Earle, who can tell us about the Department of Commerce, then to Ms. Chaplin from the perspective of the Chamber and also her views as an attorney, then to you, Mr. Shapiro, who has got to process all that paperwork, and to you, Mr. Bowe, who is the guy who is out there trying to be, as I said, one of our peddlers.

Having said that, Mr. Earle, we welcome your testimony and are happy to proceed.

[The prepared statement of Senator Mikulski follows:]

Barbara
Mikulski

United States Senator - Maryland

# Export Expansion

**STATEMENT BY**
**SENATOR BARBARA A. MIKULSKI**
**CHAIR, EXPORT EXPANSION SUBCOMMITTEE**
**SENATE SMALL BUSINESS COMMITTEE**

**At a hearing in Baltimore, Maryland**
**May 14, 1990**

Good morning, ladies and gentlemen.

Welcome to the second in a series of hearings on how to increase small business exports.

There were two fundamental reasons why I wanted to chair this subcommittee:

- High-tech is happening in Maryland. We've got a corridor full of young, dynamic, future-oriented businesses. These firms are small in size but big on potential. And to realize that potential, they are going to have to grow into a world market. And high-tech from I-270 is not all that's happening in Maryland. We've got good solid manufactured products -- from specialty steels to life-saving drugs -- coming out of Baltimore. And that leads me to the second reason.

- The Port of Baltimore is one of the largest containerized ports in the U.S., and I want to keep it that way. Not only that -- but I want to make sure that cargo follows a two-way street. I don't want German automobiles flowing in and crates of U.S. cash flowing out. I want products stamped "Made in America and Made with Pride" filling the decks of those ships as they travel back down the Chesapeake.

In short, we are sitting today in the keystone of one of the most dynamic growth markets in America.

But I am worried that we are missing opportunities. And that would be tragic for our economic future.

We are in a new world politically and economically. Two buzzwords of that new world are interdependence and aggressiveness. A new automobile today may have parts from 7 or 8 different countries. If the Japanese can blanket the cities of Europe with salesmen, so should we.

If we don't break into new markets now,

- we will lose jobs
- we will lose technology feedback from our foreign customers.
- we will lose market share forever.

We can't break down foreign trade barriers overnight. Or balance the federal budget. But we can break down the barriers which we have imposed on ourselves.

When we aim for foreign markets, let's not shoot ourselves in the foot.

I keep hearing from small businesses that they can't get started exporting, or successfully export, because they don't have support. We're not talking about some centrally- planned economy or a 1,000 page industrial policy. Just help with the basics like:

- **Access to good information**. Where are promising markets? How do I get financing? Where can I find a distributor?
- **Export controls**. Obviously, we need to protect sensitive technology, but why should some Washington bureaucrat be tying our small businesses in knots while the Germans and Swedes are selling the technology we developed?
- **Export finance**. Even with a federal insurance guarantee, many firms can't find a bank wh will lend them the money to make a deal.
- **Complicated forms**. You don't sell Baltimore's best with a better "Form #12345".
- **Government programs**. U.S. firms have to compete against foreign companies that may receive vast subisidies from their governments. We don't need to tell businesses what to sell, or what to export, but we do need to stand behind them. A fair playing field isn't when both teams play without rules -- its when both teams play by the same rules.

We have four fine witnesses here today to discuss these, and other, issues.

- **Mr. David Earle**, Director, Department of Commerce Regional Office, Baltimore
- **Mr. Sig Shapiro**, President, Samuel Shapiro and Company, Baltimore
- **Ms. Peggy Chaplin**, Ober, Kaler, Grimes & Shriver. Chair, International Business Committee, Maryland Chamber of Commerce.
- **Mr. Peter Bowe**, Ellicott Machine Corporation, Baltimore, Maryland.

Strengthening the U.S. economy through exports will require the coordination and cooperation of all of us -- federal and state officials, business groups, individual industries, freight fowarders, legislators, labor, shippers, insurance companies and bankers.

I look forward to hearing today's testimony.

## STATEMENT OF DAVID EARLE, DIRECTOR, BALTIMORE REGIONAL OFFICE, U.S. DEPARTMENT OF COMMERCE

Mr. EARLE. Thank you, Senator Mikulski.

I will try to recap from memory largely what we are doing at the Commerce Department and where we are today. We feel that the State-Federal relationship is extraordinarily important. What you said about the State to us rings a very loud bell. The State of Maryland does an excellent job with export promotion. They are geared up and actively are doing a lot of great things, taking an aggressive stance to promote exports of the State of Maryland.

This falls very much in line with the Federal Government's desire that the States do a lot more, that the States work the grassroots and work and get the small- and medium-sized companies to do more.

In our current plan at the Department of Commerce, we have our own programs and we also recognize that the States have their own programs. We are doing everything we can not to duplicate or overlap. We are relying on multipliers, such as States, private sector organizations, to promote trade and be very aggressive at it.

On the Federal side, what we have determined through a recent strategic review of all our operations overseas is that we cannot be everything to everyone, and what that comes down to for us is concentration on the "infrequent exporter." This generally is made up, this group is made up, of small- and medium-sized companies. It does not exclude the larger companies or the tiny, tiny companies, but for the most part it is made up of companies who have made some kind of a commitment, companies who are doing something in export. They have made some penetration in a foreign market. They have proven their interest and ability to export.

We are going to spend most of our Federal resources over the 90's concentrating on these companies, providing the assistance, providing the networking overseas through our 123 offices, through our 48-plus district offices in the United States.

We feel this is where we can probably get the biggest bang for the buck, by putting our efforts behind these kinds of companies. What we are doing for them and with them, we have about seven or eight programs that we can bring to bear on exports, things like the Agent Distributor Service (ADS). We can find a prospective agent, a dealer abroad, for companies and we can do that fairly efficiently. We are improving that service abroad so that around the world we have a fairly regularized ADS format.

We can provide companies with lists of prospective buyers, export mailing lists, so a company can, for a few bucks, buy an entire list of prospective companies in a given marketplace, companies that we know from our own network.

We can also handle a small amount of advertising through our "Commercial News USA" publication, something like a small magazine, that for $125 can reach 100,000-plus overseas prospective buyers of a given product. So we can help the companies put out this ad to foreign companies. That is one of the simplest and cheapest things we can do.

Trade shows, trade missions. We are taking a new look at these, a practical look, in that we probably will do less trade promotion

through trade fairs. Just as we will let the State of Maryland take the primary lead developing trade fair promotions, also our offices overseas will take the initiative in trade fair organization. We find them expensive, we find them very labor-intensive. So companies who need trade fairs, we will put them in touch with the right people. But we are going to spend less Federal dollars going out buying space in trade fairs, large extravaganzas.

Information, this also is one of the most important things that the Federal Government can provide through our network overseas. We put the tentacles out and gather trade leads, contact leads, and we will do our level best to put that information in the hands of users, again those infrequent exporters, companies that can do something with it.

Admittedly we have some improvements to do in that area across the board overseas. We have to polish up our act. That is most important.

Then on this end, through the strategic review, talking with several hundred companies in the process over the last 6 months or so, we have determined, or they have determined for us, that counseling one on one at the district level, like my office, is one of the most important things we can do. That is getting out into the factories, meeting, working with the clients, we call them, with the companies, finding out what they have to export, determining their strengths and working with companies to match them up overseas with buyers.

So on our end it is working with the clients through one-on-one, and overseas it is the process of gathering information, bringing that back, distributing it in the United States.

That is a real quick overview. Perhaps we can come back if there are specific questions.

Senator MIKULSKI. So you said the three main tools are the ADS, the trade shows, and the counseling program, is that correct?

Mr. EARLE. I will put them in priority. It is the data gathering overseas or information on foreign trade; it is the counseling second, one-on-one with companies in the United States; and then after that, it would be a host of things like ADS, "Commercial News," it is advertising and working on trade leads, specific trade leads for companies, which are some of the highlights.

There are other small programs also, such as companies going abroad on trade missions and needing our network to help them connect with foreign governments and buyers. Obviously, our embassy commercial officers overseas do this as a regular part of their job.

For example, the Governor's mission to Europe right now, I'm sure in every one of the host areas the Governor and his entourage will be treated rather well by either the State Department or the commercial officers, mostly the commercial officers.

Senator MIKULSKI. They better be. The Governor will want me to enter into severing treaty ties if they are not.

I want to thank you for your testimony. We note that in the room is Mr. Harold Zassenhaus, who heads up the Governor's international office, and we just talked about the Governor's program, Mr. Zassenhaus.

Ms. Chaplin, can we hear from you and what your views are and what you think are the helps and hindrances?

## STATEMENT OF PEGGY CHAPLIN, CHAIR, INTERNATIONAL BUSINESS COMMITTEE, MARYLAND CHAMBER OF COMMERCE

Ms. CHAPLIN. Thank you, Senator Mikulski. I appreciate that you have invited me to testify today.

My career in international trade, in the transportation and legal fields, I think gives me a perspective on small business which I hope may be of some value.

With regard to the internal barriers to small business exports, I understand that this inquiry focuses on: No. 1, the cost and availability of export capital; 2, the restrictions on Technology Transfer; 3, export subsidies; 4, red tape; 5, lack of information, advice and assistance; and 6, lack of willingness on the part of small business. I will briefly touch each one of those topics separately.

Regarding the cost and availability of export capital, would it not be nice if our banks and development agencies gave small businesses carte blanche to develop markets at the expense of others? But that will not happen. For businesses that meet certain criteria, funds and other financial assistance are available here in Maryland from several sources, including the Maryland Industrial Financing Authority's Ex-Im Bank Program.

Also, if presented with a well-executed business plan, commercial banks and funding agencies will lend money to exporters. The level of risk, it must be remembered, is higher in doing business overseas than it is domestically. And banks, which do not want to lose money, will be cautious in loaning capital for overseas ventures. That is a reality to consider.

But that reality in my opinion should be viewed as challenging to the entrepreneurial American business person. Small businesses have opportunities to seek investors for a project, put together export joint venture capital, or consider other ways to obtain export capital. I constantly hear about ways that people cannot get financing, but I think that there are ways that they can get it.

No. 2 has to do with restrictions on Technology Transfer. It is my opinion that to a large extent the export licensing system in this country is slow, cumbersome, and ineffective. It inhibits sales by small businesses to various customers who just simply source elsewhere.

However, the Bureau of Export Administration provides assistance to businesses via a national telephone network, which I must say also is difficult to get through on. And the Export Administration Act of 1979 is currently under review by the U.S. Congress for reauthorization. The Export Facilitations Act of 1990, which is H.R. 4653, is currently before the Committee on Foreign Affairs in the House of Representatives, and I think that small businesses need to speak up now and let their Congressional representatives know what they would like that legislation to contain. Otherwise, they have no one but themselves to blame if restrictions continue to remain problematic.

Regarding export subsidies, I think that really our friends in the public sector are more expert in answering that question than I

am. The United States position of not subsidizing export ventures to the same extent that some other countries, such as France, Germany, and Japan, have done is based on our Government's underlying belief in the market system and the theory that competition should prevail over subsidized markets.

There is also the theory, whether or not correct, that what is satisfactory for domestic marketing should work in international markets.

My experience indicates that foreign export subsidies which tilt the playing field against U.S. businesses are usually—not always but usually—on a grand scale and do not significantly impact individual small businesses. Besides, some subsidy programs do exist, and one example is the Trade Fair Program of the Maryland Office of International Trade, and I understand that the U.S. Small Business Administration has recently announced some programs, which I believe Mr. Earle is familiar with.

Regarding redtape, this is a highly regulated country. However, our export regulations pale greatly when compared with our import regulations, and our import regulations have not stopped the surge of imports into the United States. That is about all I can say on that.

Lack of information, advice, and assistance. There is a plethora of information, advice, and assistance around these days. The U.S. Department of Commerce, the U.S. Small Business Administration, the Maryland Office of International Trade, as well as trade associations such as the Maryland International Trade Association and the Maryland Chamber of Commerce, distribute information, conduct seminars and provide assistance to exporters.

And last is the lack of willingness on the part of small business. To my mind this is the crux of the matter. All of the above are excuses in one form or another. There is simply disinterest on the part of many small businesses in doing business overseas.

In the fall of 1987, I as Chairman of the International Business Committee of the Maryland Chamber of Commerce evaluated the results of a survey of Maryland businesses that my committee conducted during the summer. We sent survey forms to 400 representative members of the Chamber and received responses from 110, or 27½ percent, and here is what we found.

Of those who responded to the survey, 40 percent had never engaged in international trade. Of that 40 percent, 74 percent were not interested in pursuing it. Broken down, they were: Manufacturing, 43 percent; service, 39 percent; and wholesale and distributors, 18 percent. Most of them were businesses of less than 50 employees.

However, 26 percent of the non-trading respondents were interested in learning more about international trade, and of that group the breakdown was: Manufacturing, 20 percent; and service industry, 50 percent.

And interestingly also, the largest percentage of those who wanted to know more about trade were in companies of less than 50 employees. It presents an interesting contrast. On the one hand, from the 40 percent group a large percentage, or 82 percent, of the 40 percent of small manufacturing and service firms were totally disinterested in international trade. But on the other hand, from

the same 40 percent group a significant percentage of small manufacturing and service firms were interested in learning more about international trade.

Of those who indicated interest in knowing more about it, the answers to what would stimulate that interest were evenly split among trade shows, outreach programs, seminars, and consulting. Also mentioned were financing and education.

The good news of our survey was that there were 60 percent of the respondents who had engaged in international trade, and of that 60 percent 75 percent were exporters. Half of those people had never sought counseling from a governmental agency, but the other half had.

All relied upon freight forwarders, banks, and other private sector sources for advice. They expressed a desire for additional assistance, mainly in the form of trade shows and help with foreign buyer sourcing. About 30 percent of those who had exported claimed to have encountered difficulties with redtape and a smaller percentage had trouble with letters of credit.

One thing that needs to be mentioned is that the Chamber's survey was conducted by my committee for our own purposes, and it should not be compared to a professionally conducted survey, and the information obtained was somewhat oblique to interpret. We did get a good response, 27½ percent, and we tried to direct our inquiry to businesses we thought would be logical export candidates.

In summary, many small businesses export. Those that do need good counsel to assess the risks of export sales. Surprisingly, many businesses do not seek private counsel in the planning stages, although it has been my recent experience that more are seeking preliminary advice.

Many small businesses do not export and some have expressed an interest in learning more about exporting, and the needed information has been made available to them. Others are simply uninterested or unwilling to export or to commit resources to international marketing.

Thank you, and I will be pleased to answer any questions that you may have.

Senator MIKULSKI. Thank you, Ms. Chaplin. That survey is indeed an interesting one, particularly where people get their advice. And we will come back to some of the questions, what could be used to facilitate it.

Mr. Shapiro, Ms. Chaplin just said that most small businesses get their information from banks and their friendly freight forwarder. Shapiro and Co. has been in Maryland over 75 years. And I remember when this was all warehouses, docks, and so on, when we did not know what quiche was, but we sure knew what cargo was in the harbor.

We look forward to your testimony as someone who really has to deal with Maryland business and other companies from the Midwest that use your freight forwarder services. And then also, you're involved in the international arena. I know we have talked about rebates, subsidies, dollars, GATT's, and so on.

Could you share with us what you think are the helps and hindrances from your perspective and any recommendations you might have.

**STATEMENT OF M. SIGMUND SHAPIRO, PRESIDENT, SAMUEL SHAPIRO & CO., INC.**

Mr. SHAPIRO. Thank you, Senator. I certainly will.

As you say, we have been doing business 75 years, so we have had ample opportunity to judge the waxing and waning of export controls and their effect on the small businessman's desire to enter the export market.

Unlike some of our trading partners, whose economies are based largely on exporting their wares, the United States by virtue of its size has traditionally had substantial enough domestic markets to absorb our goods and services. As a result, we have never been export-oriented, as is the rest of the developed world.

Only in times of slack domestic demand does the average businessman looked abroad to sell his wares, and if he did he was so bewildered by the seeming complexity of the details required that he usually abandoned the effort.

Senator MIKULSKI. Mr. Shapiro, could you move that microphone over.

Also, are you going to give me a quiz from those books?

Mr. SHAPIRO. This is a prop.

Ms. CHAPLIN. Can you hear? Is this good?

Senator MIKULSKI. Sure.

Mr. SHAPIRO. But now the trading world is becoming more complex. No longer is a product totally made in one country. No longer can one even tell by name where a product is made. Most Sony video recorders, for example, are manufactured in the United States, but most Zenith recorders are of Japanese origin.

Automobiles are assembled from parts made all over the world, and manufacturing plants are springing up far from the host countries. Trade is a booming business and we have plenty of competition. But we have products to sell. The question is how.

With the world changing so rapidly, the United States must become more export-oriented and it must reduce the real and imagined barriers that inhibit bringing our products to foreign markets.

We have a golden opportunity to do so. It certainly is encouraging that both the Administration and the Congress are in agreement that we must remove some of the barriers to exporting what used to be considered strategic or critical materials. Such things as computers that we have previously restricted have long been available in other countries to all who would purchase them.

Although Bill Archey of the U.S. Chamber of Commerce said today in the paper that the export proposals are little too little and too late, the Export Administration Act is up for renewal this year. Rumors have it that it will simply be extended for another year in its present form. That would be a mistake.

We should make every effort to critically examine that law, amend it and the procedures that flow from it, if only for the purpose of improving the statistics that we use to determine our bal-

ance of trade. The true picture of our trade balance might surprise us.

We have a very efficient method of securing import statistics. They are reported through the U.S. Customs and they are scrutinized by Customs at the same time they are transmitted to the Census Bureau.

On exports, however, statistics are much more haphazard. While it is true that many large exporters have the opportunity to file their export statistics electronically with Census, the smaller shipper usually relies on the printed export declaration. This document can be prepared by the shipper, his freight forwarder or the steamship company, and for goods that are not licensed neither the shipment nor the document receives any scrutiny by the Government until much later.

Steamship lines, airlines, truckers often prepare these export documents as an accommodation to their shipper customers. If they do not have all the information needed, the statistics as to the value of the shipment are estimated.

The consequence is that in many respects we rely on our trading partners to furnish us with information as to the quantity of widgets that we ship to Korea, for example. It is a sad state of affairs, and distorts estimates of our trade imbalance.

The export declaration is also used as a document to collect the harbor maintenance fees under the misbegotten Harbor Maintenance Revenue Act of 1986. If there ever was a barrier to export trading, that gem that was done at the behest of Senator Long, deserves the award.

This imaginative piece of legislation helps fund dredging for the port of Baltimore, it is true. But it has been estimated that the administration of it is costing nearly double the amount brought in, at least on the export side. Once again, Customs collects a fee on imports and it is very simple. On exports, however, there is a sort of "voluntary compliance system" which no one in the Government wants to audit. They cannot afford it.

Rather than administer it properly, the current budget discussions would increase the fee from .04 percent of the value to .125 percent. To assess a charge at all on exports seems to me counterproductive. It might even be unconstitutional. But if the law remains in effect, the full anticipated revenues could be collected, eliminating the need for an increase, if the export declaration were filed with Customs by the exporter or his freight forwarder and payment of a fee made at that time.

Exporting is further complicated these days by the necessary complexity of regulations under the hazardous cargo laws and regulations. It is encouraging that the rest of the world is evincing an interest in controlling the movement of hazardous cargoes and toxic substances, but need the regulations be as complicated as they are?

I have got here—I sound like Senator McCarthy. I have here one volume of five that has——

Senator MIKULSKI. Gene?

Mr. SHAPIRO. No, Joe. [Laughter.]

One volume of five. I did not want to bring the other ones up. I was afraid of getting a hernia.

Senator MIKULSKI. What is that, again?

Mr. SHAPIRO. That is the hazardous cargoes—International Maritime Dangerous Goods Code that we have to know about. And if we cross a "t" wrong or dot an "i" wrong, we are put upon by EPA to the full extent of the law. This is when you want to ship something covered by the act.

There is a new regulation out that you have to on the bill of lading an emergency phone number, so that if there is cargo that is believed to be hazardous EPA they can call somebody any time of the day or night.

Senator MIKULSKI. And that is different than the Endangered Species?

Mr. SHAPIRO. Endangered Species is covered by Fish and Wildlife.

Senator MIKULSKI. That is Fish and Wildlife.

Mr. SHAPIRO. That is the red squirrel and everything else. That is something different.

Five volumes of the regulations go on our shelves and are constantly referred to, to ensure that there are no clerical errors or typos in the documentation. To comply with all the Hazardous Cargo and Toxic Substance Control Act regulations, the average exporter and his freight forwarder must have the equivalent of a Ph.D. in chemistry.

There is another little gem here called the Schedule B, which is part of the Harmonized System, and this is for the classification of exports, and this is one of three volumes, with an index as big as the other three volumes.

Senator MIKULSKI. The classification? Go ahead, Mr. Shapiro.

Mr. SHAPIRO. Under the Harmonized System. Remember, 3 or 4 years ago we became a signatory to the Harmonized Tariff System, which in time will be a wonderful law because it will allow us to talk in the same language as all of our trading partners.

But the complexity of this document is such, and the need for accuracy is such, that a lot of research must go into how the cargo is declared. This tariff classification can be used not only for collection of duties here and abroad, but for proper ocean freight tariffs, air freight tariffs, internal statistics of every country.

If it is used properly, it could help analyze where trade imbalances occur and help the negotiations we have with our trading partners as to who gets the biggest bite out of an apple on a particular commodity.

Senator MIKULSKI. Because we would all be collecting the same information.

Mr. SHAPIRO. Right.

Senator MIKULSKI. Using the same categories, kind of like a trade Esperanto.

Mr. SHAPIRO. Right, exactly. Very well put.

This third volume is the regulations themselves of the Export Administration Act. This is only one volume, so you know all this is very simple.

Congress should also take another look at the Foreign Corrupt Practices Act to determine whether that law is meeting our needs. An American sense of morality is not always the same as that of our trading partners. If I may be a little bit—I do not want to seem

less holier than thou, but the so-called commissions which we consider to be bribes are standard operating procedures in many countries.

Some of our competitors are selling in the same market and are delighted with our puritanism. In the meantime, our exporters are afraid of violating the law, if in fact they know anything about it at all.

International trade makes the world go around and it is getting more complex. While we are struggling during the Uruguay Round with such things as subsidies, nontariff barriers and quotas that are part of the fabric of our trading partners, we sometimes lose sight of the fact that we too generate subsidies and generate the same barriers on imports into our country.

Only by enacting international agreements that recognize each trader's self-interest and by accommodating those interests when possible can we see trade expand. And only by educating our domestic businessmen, assisting them and simplifying the task can we help to restore an equitable trade balance.

I will be glad to answer any questions you may have, Senator.

Senator MIKULSKI: Thank you, Mr. Shapiro.

Let me just be clear. First of all, on hazardous and toxic wastes and the exporting of what could be hazardous material, not only, say, waste products, you then report to EPA. You have a whole set of manuals, is that right?

Mr. SHAPIRO. Right.

Senator MIKULSKI. And then on the issue related to products related to endangered species, for example an antique piano from the nineteenth century that might have been made with, ivory keys from, elephant tusks, something that would not be allowed now but still is in the marketplace as an antique, you would have a whole separate set of rules on that?

Mr. SHAPIRO. Right.

Senator MIKULSKI. With Fish and Wildlife?

Mr. SHAPIRO. Right.

Senator MIKULSKI. So you are dealing with Fish and Wildlife officials who are not oriented to trade?

Mr. SHAPIRO. That is more an import problem than it is an export problem, because the rest of the world's endangered species laws are not as stringent as ours. I am not saying whether that is right or wrong.

Senator MIKULSKI. What I was thinking, really, though, is that a small businessman who wants to begin to think about trade, begins to get all kinds of stories concerning all these agencies and redtape.

As I get ready to go to Mr. Bowe, how many Federal agencies are you responsive to?

Mr. SHAPIRO. Well, there are some 40 or more laws that the average customs broker and freight forwarder is responsible for at least advising the client. There is a new little gem here called the Chemical Handlers Manual, where we are supposed to be aware of what products might be considered narcotics. When we are bringing in widgets, we are supposed to know what the use of these articles are, especially in the chemical field.

We serve two masters. We are licensed by the Federal Maritime Commission as brokers, we are licensed by the Customs as brokers.

We are supposed to make sure that our clients comply with all these laws, and at the same time we are supposed to promote international trade.

We have to adhere to the regulations of the various agencies that we deal with, but we also have to make sure that our clients do not get gun-shy about trading internationally.

Senator MIKULSKI. So you have 40 laws, but how many Federal agencies are you reporting to?

Mr. SHAPIRO. Well, I would say you can take them all: Customs, FMC, the Department of Commerce, International Trade Commission, International Trade Administration, Food and Drug Administration, the Department of Agriculture, Fish and Wildlife, Meat Inspection Division.

Senator MIKULSKI. Agriculture.

Mr. SHAPIRO. Agriculture. FCC. You name it. There is probably several others. EPA, that is right.

The Toxic Substances Administration Act is one of the great new barriers to trade. TOSCA, it is called. It is rather operatic.

Senator MIKULSKI. But it does not hit a high note with you?

Mr. SHAPIRO. No. [Laughter.]

Well, I cannot say that. On another note.

You know, I have the same feelings about keeping the environment clean as anyone else, probably in many respects more so. But I see the heavy hand of government doing more to inhibit trade, and a lot of it is populist and we know it is. But it takes the wind out of the sails of the average exporter.

Senator MIKULSKI. We are going to come back to that. But I think those books really speak for themselves. I am sure that for a lot of small business, that is exactly the picture they have in their mind of what they need to contend with. Understandably they say: I have enough problems even trying to get a good health insurance rate for my employees now.

Mr. Bowe, we would like to hear from you as the CEO of Ellicott Machinery. As I said earlier, Ellicott Machinery originally built its reputation on having some of the most superior and innovative dredging equipment in the world, and it was the equipment used to dredge the Panama Canal.

And from our conversations, we knew that you were doing dredging, engineering services, but that you were having terrible problems competing overseas, not because you did not have good ideas or a good product, but because the playing field was so uneven. And I know you have even reshaped your business.

We would like to hear from you because your company's had lots of experience. Your business is primarily exports, and you have also then had to shape yourself for this new economy that we are in. So we would like to hear your views.

## STATEMENT OF PETER BOWE, PRESIDENT, ELLICOTT MACHINE CORP.

Mr. BOWE. Well, thank you, Senator, for including me in this discussion.

Some background on Ellicott. Ellicott has been based in Baltimore since 1885, so we are 105 years old. Our primary product

from our Baltimore operation is a dredge, which ranges in price from $100,000 to $10 million. Besides application in canal and harbors and things like that, more recently we have gotten into environmental cleanup and mining.

Our primary competitors are in Europe and Australia, occasionally Japan. We have no U.S. competition left to speak of. It has essentially been wiped out by the strong dollar and some of our overseas problems.

About 1½ years ago, we bought a 40 percent interest in our main competitor, which is a Dutch company, and that has helped us diversify among the varying risks that we have.

We are in the capital goods business, heavy products, big projects generally, usually with long gestation periods. Five years is not unusual in the development of a project for us.

My comments will be focused largely on external barriers, if that is OK within the scope of the discussion, that is external barriers to trade. And I am largely going to focus on the European Community. There is a lot of good data there and I am more familiar with it personally now through my frequent travel there.

I want to focus on the subject of subsidies and what I consider to be a very integrated industrial policy which exists and has existed in Europe. I think that is diminishing, but I want to provide some anecdotal evidence of the scope, the depth and breadth of the subsidies in Europe.

The EEC is a good comparison also. The economy is about the same size in aggregate as the United States.

It has been estimated that their total subsidies are about 3 percent of their combined GNP's, which would make that about $150 billion per year. Obviously a lot of that goes to agriculture, but the support to manufacturing is about four times the level to agriculture.

Just to provide some highlights on certain industries, if you wonder why Airbus is able to compete with Boeing despite the weaker dollar now, since Airbus was set up the various partners have put in $12 billion in subsidies to that one company. That is the combined support from the British, Spanish, French, and Germans.

Automobiles are largely supported, Fiat by the Italians. Renault recently got a $2 billion loan forgiveness from the French. Rover in Britain has been subsidized through their privatization, and on and on.

Annual subsidies to support the coal market in Europe are about $12 billion. About half of that is to German producers. Obviously that affects a country like the United States, which is trying to export coal.

In the 1980's, the EEC spent about $45 billion on steel to upgrade and close down and subsidize, basically, the modernization of that industry, and they are now effective competitors.

Shipbuilding obviously is something I am more interested in personally for our business, because dredge-building is considered a sub-segment of shipbuilding. Country by country, the annual subsidies vary, but there is a rule that those countries are allowed to support up to 20 percent of a given contract price through subsidies. That is obviously a material percentage.

I want to put that on a per-worker basis. Using Germany as an example, they spend about $20,000 per year per person in the coal and steel industry. It is about $20,000 per worker per year in the Federal railways. Shipbuilding is about $5,000 per year, and even aerospace is over $5,000 per year.

Speaking more personally, in shipbuilding our Dutch affiliate last year got about $10,000 per person, per employee, in direct subsidies. That is exclusive of export subsidies. That is simply subsidies for being in the shipbuilding business. Similar subsidies are provided in shipbuilding by France, Britain, and Germany to support that industry.

It has been estimated that the industrial subsidies in the EC are about $1,000 per worker across the board, and obviously in the more mature capital-intensive industries the subsidies are higher. As a percent of GNP these are big numbers. It ranges from 3 to 5 percent of the entire GNP. Italy would be at the high end and Germany would be at the low end.

But for example, the low end is 3 percent. It has been estimated that the United States is about a ½ percent. So we are looking at support percentages at least six times as high as in the United States. Export support is part of this industrial support. It is very significant as well.

A comment on spending to promote exports. In a recent study by the Ex-Im bank, the U.S. was last in promotion spending related to total Government spending. The United States spends 29 cents per thousand dollars of total Government spending. In Germany it was 68 cents, United Kingdom $1.43, Sweden $1.65, and so forth, up to Canada, $6.

We are looking at the United States spending proportionally much less to promote exports than its competitors. We are last in percentage of GNP, again, the percentage of GNP spent on export promotion. So we are not even on the charts.

I have to laugh. Our Dutch affiliate, it is not really any laughing matter, but they just lost a big contract to a German competitor based on export financing. I am not really going to focus on export financing. I have in other discussions with you. That continues to be a problem in capital goods exports.

This was a contract for a special kind of ship for Venezuela. There were two companies considered, our Dutch affiliate and a German company. This was a $50 million contract and the Dutch offered 8-year financing and the Germans offered 12 and lower interest rates. So it is sort of a beggar-thy-neighbor type of policy. It is very expensive, but it buys business for them.

Another factor that I think in America we do not appreciate is the level of Government ownership of what would be private business here in the States. We have all heard about the success and experience in the United Kingdom with Thatcher privatizing their industry. Well, that had to get nationalized somehow, and what most of us do not think of is that the scope of nationalization in the rest of even Western Europe is just as great as what it was in Britain.

Obviously, those companies are promoting their national policies and national interests, which would be exports and maximum employment. They absorb a lot of subsidies. And the scope of business,

it is not just what we would think of perhaps as the key industries. Our experience is limited to Conrail and Amtrak.

For example, using France, the major oil company ELF, is owned by the Government, the major car company Renault, is owned by the Government, the major steel company is owned by the Government, the computer maker Bull is owned by the Government, Thompson Communications is owned by the Government, to use France as an example.

Yet we think of France as western, not socialized. Even in Germany you can come up with similar examples of these companies that absorb billions of Government subsidies.

I also want to mention, not foreign financing, but use of AID money, that is foreign AID money.

Senator MIKULSKI. A-I-D money?

Mr. BOWE. A-I-D. It continues to be a problem if you are in the capital goods business, whether you call this a grand scale or not. Even to a small company like ours, which exports a little over $10 million a year, it hits us in a very big way.

The Reagan Administration started the switch away from infrastructure support to structural support. You could argue as a citizen of the world that is a very good policy. The problem is that our competitors have not done that. So recently, for example, with tied aid, about 2 percent of U.S. aid is tied to support of capital goods exports. United Kingdom, Canada, and France have 15 percent. In Germany it is 20 percent, in Japan it is 45 percent, and Japan is spending more in dollars than we are now on their foreign aid.

So that is obviously quite a substantial barrier if you are in industries which are affected by that, which would include a lot of the capital goods industry.

So my conclusion on that part of my comments is there is a very strong industrial policy in Europe and elsewhere, and if we do not recognize that we are ignoring some of the problem, and we have to recognize that.

Politically we have not always helped ourselves in this. We have had a tendency to use trade as a weapon. I do not mean an example like the Foreign Corrupt Practices Act, but for example think about the grain embargo against the Russians. We used our own exports as a weapon in a political issue. Section 301 is different. It tends to focus on our imports, which I think is a useful switch.

But we have time and time again, cut off our exports as a way of political maneuver. And again, it affects even a little company like ours. We were about to sell some dredges to Russia through a Finnish shipyard when the Carter grain embargo went into effect. We lost that order specifically because of that. So it trickles down as a direct consequence.

And I think that for the United States, our greatest objective, and it should have been, always has been diplomacy and politics, and trade has tended to be sacrificed in promoting that.

The problem we have is that in our concept of free play when there are foreign trade interests going on we do not pick favorites, and that has cost us some business sometimes. I do not know how you can do that, but for example, say Caterpillar and John Deere are competing for business in India. The United States will say: We cannot get involved because we cannot pick a favorite.

Foreign countries do pick favorites.

Senator MIKULSKI. You mean pick a favorite company?

Mr. BOWE. Yes.

Senator MIKULSKI. Not pick a favorite country.

Mr. BOWE. Yes, they will say who is most likely to get this business, who should we endorse? And the United States will frequently say: Well, rather than endorse anyone and be unfair, we just will not endorse anybody. And our foreign countries, because our competitors are essentially countries, they will pick an internal favorite if it comes down to it.

But again, I think there is a change going on here, that the U.S. foreign service is getting more interested in trade. Trade had been the cousin, the poor cousin that they did not want to let in the door. But now I think they are more interested in that, and that is a welcome thing.

But I want to contrast some approaches to foreign trade that we are only starting to see politically and diplomatically here in the United States. Senator Bradley, your colleague, recently said: "We should not let trade disputes get involved in the United States-Japan agenda. Other things are more important." His approach may or may not be the majority.

Section 301 is in place. It did not used to be. But I think that the traditional philosophy is do not let trade get in the way of your greater agenda.

On the other hand, for our Dutch affiliate—the Dutch Foreign Affairs Ministry has a Dutch development corporation which is constantly looking for projects suitable for Dutch AID and ones in which Dutch expertise could be useful. I do not think we have a similar thing, although I do mention the Trade Development Program which you have been involved in.

In Australia, it is interesting, they combine foreign affairs and foreign trade in one ministry, recognizing that the interests are so interlinked. We would never expect to see that here.

We recently approached your office for some assistance on a project in Taiwan, hoping that we could get an endorsement for our interest in this business. And we approached other members of the Congressional delegation from Maryland, one of which said: We are not interested in doing that because we believe in free trade and it would be counter to free trade to endorse Ellicott's position in this.

And I do not really think they understand the situation. We think of Taiwan as the "new emerging tiger." In Taiwan, the Government owns 45 companies, including all the major banks, transportation companies, steel companies, chemical companies, newspapers, investment companies, a shipbuilder. Our customer is owned by the Government, our potential local contractor is owned by the Government. So is the Telephone Co.

Senator MIKULSKI. We are competing against other countries, not other companies.

Mr. BOWE. Yes. And their duties, they just reduced them from 50 percent to 40 percent and they are on the way to 30 percent. Now, where is the free trade there? I believe in it too, but I have to recognize what exists.

An example again of some good things. I have described in some respects a tale of woe, but there are some good things going on. You are well aware of the efforts of the Trade Development Program, which recently has helped us get a letter of intent with the Suez Canal in Egypt for a canal-deepening project.

Yet we have to look over the horizon. The Suez Canal is anticipating a major expansion of the canal to anticipate new tanker traffic, and the Japanese voluntarily offered $1 billion to finance the entire project. Here we are, we are the largest financier of Egypt and it mostly goes to structural support. The Japanese are trying to finance their exports in what should be our backyard.

The weaker dollar is obviously a major reason for every U.S. company to be interested in trade, and it has helped us. I think that EC '92 has been mentioned as a big issue. Everyone is aware of that. I think that is going to be very favorable to U.S. trade interests. I think it is going to encourage privatization, which would get the governments over there out of business.

It is going to tend to reduce subsidies because these different levels of subsidies have to be recognized and rationalized. And there will be so many obligations on these governments, just as our Government has, that they are going to tend to rationalize down to the lower level. So the economic merger of 12 countries I think is going to reduce the subsidies to an overall lower level.

The governments over there as a group have totally committed to open their procurement for government purchases. It is far more open than the United States is now. That is a major market. That is a step in the right direction.

Some of the things we have going for us, OPIC should always be mentioned. OPIC has helped us in ways that other countries do not have and that is important, that OPIC absorbs some of the risk material to our business. We have used OPIC in places like Egypt for the Suez Canal, difficult places where I think we would have been reluctant to step forward had we not had OPIC behind us.

And the State of Maryland, as you are aware, has its own export support group, and one of the advantages of that is they are able to pick favorites. They can support Ellicott as the local boy, which the United States might be more reluctant to do.

That is all I have to say in my prepared remarks. Obviously I am open to any questions you may ask on what I have said.

Senator MIKULSKI. Well, that was a quick tour around the world and around Government helps and hindrances. We are going to come back to you with some specific questions.

I want to turn my first set of questions to Mr. Shapiro and the role that Customs plays both in imports and exports. Mr. Shapiro, as you deal with Customs in various ports in the Gulf and East and West, my question and my concern is that in our fight on drugs, which I know we all support as a nation, we have neglected or begun to neglect the commercial aspects of Customs, both in terms of adequate staffing and also the adequate people at headquarters, if you will, that are looking at all these various rules and regulations.

Has that been your experience, and if so do you have any recommendations in that area?

Mr. SHAPIRO. Well, certainly it has been my experience. Fortunately, we now have the new Commissioner of Customs who is very, very interested in commercial operations. And as you know, there was an extensive investigation done of the Customs Service by the Pickle subcommittee of the House. There was an in-depth investigation and report issued by a subcommittee of the Ways and Means Committee in the House on Customs under the previous Commissioner. But since the new Commissioner has come in—and I was there when she testified before your committee, Senator, and she is an entirely different person and is well aware of what is needed.

I do think, and we have expressed this to Customs and the people at Treasury, as well as to several congressional committees, I think that they need to upgrade some of the people in the import specialist field, who also deal with exports in many ways, so that there is a more integrated feeling with Customs, that they are there to facilitate trade, not inhibit it.

But this is happening now. There is new legislation pending to streamline some of their operations, to authorize some of the automation efforts that they have had. Customs' impact on exports, which is the focus of this hearing, has been limited lately. They are not going out after every shipment because, with the elimination of some of the controls on certain critical shipments—Operation Exodus, for instance, is not as heavy-handed as it was, and the Commissioner herself is well aware of our need to export. She is an ex-Ambassador.

Senator MIKULSKI. Well, I know in some of our talks before, we were concerned about: No. 1, the adequacy, the number of Customs.

Mr. SHAPIRO. Right.

Senator MIKULSKI. And, No. 2, the adequacy of training of specialists, so that down on the docks if things are ready to go a well-intentioned but not adequately trained Customs inspector does not impound cargo because he doesn't know the difference between an artificial insulin pump and a nuclear explosive trigger. I am exaggerating this, but a new technology may be impounded to see if it is on the Technology Transfer list and the Commerce blacklist, and so on. Then there would be delays simply because people were holding a product back because they did not know if it was safe.

I do not mean safe in the sense of public safety, but legally safe to be exporting these, particularly some of the new kinds of technologies.

Is that still a problem?

Mr. SHAPIRO. Well, it is not really, because a sophisticated exporter or a freight forwarder would ask questions about what something is used for and get the necessary Department of Commerce or Department of State license that might be needed.

Now, the incident in Iraq with this transshipment, you are never going to stop that except by alertness on the part of the Agency and by receiving information through intelligence circles.

But there is no concerted effort now in trying to inhibit exports, the way there was several years ago. There is a better grade of employee down there.

Senator MIKULSKI. So you think that there is a shift?

Mr. SHAPIRO. There is a shift. There is a shift in philosophy.

Senator MIKULSKI. In the Port of Baltimore, though, do you feel that we have a need for more Customs inspectors?

Mr. SHAPIRO. We need at least three or four more import specialists, and that is a constant battle that we have, and you have been very helpful to us.

Senator MIKULSKI. Well, I am asking these questions. We are holding the hearing under the aegis of the Small Business Committee, but as a Member of the Appropriations Committee, I serve on the Subcommittee on Foreign Operations, where we deal with the Ex-Im Bank, we deal with Trade Development Program (TDP), and AID.

And then I am on the Treasury-Post Office Subcommittee, which really funds the staffing levels for Treasury. Senator DeConcini, my Committee Chairman, is also interested in the commercial aspects as we go through appropriations. That is why now I am asking some of these very specific questions.

We cannot wait for opportunities for new laws, but we can look at now what we are trying to facilitate.

One other question related to this Harbor Revenue Act. I found your statement very interesting in terms of the high cost of administration. I was not aware of that.

Mr. SHAPIRO. It was supposed to raise something like $500 million. That was the whole bill. It was a bill that was put into effect in order to dredge the Port of New Orleans when Senator Long went out of office. And it is the most complicated piece of legislation that there ever was.

And at the time it went in we recommended to Treasury that, on the export side, they simply put a line on the corporate tax return: Did you export by water during the past year? Put the value and multiply by .04 percent. And nobody could get that through.

So everybody has shied away from administering this.

Senator MIKULSKI. Well, let me tell you what I intend to do about this that you brought to our attention. First of all, it was a revenue gimmick.

Mr. SHAPIRO. It was, no question. Repeal it, Senator, will you?

Senator MIKULSKI. What I am going to do—first of all, I think the Maryland delegation is particularly fortunate now to have Congressman Cardin on Ways and Means, because this legislation is administered through the Ways and Means in the House and the Finance Committee. I know you will be making your thoughts known to him.

I am going to also do a letter to Senator Bentsen, in which I am going to bring this to his attention, that this came out of the hearing, and ask that there be some type of GAO study or some type of study on the efficacy of this bill, because if it is not accomplishing anything and we are only adding to our problems then we ought to know about it as they get ready to look at the authorization.

And we will also make Congressman Cardin aware of this, and I know you will as well.

Mr. SHAPIRO. Certainly.

Senator MIKULSKI. You see, the big revenue for ports, airports and seaports, is really Customs. Customs generates $8 billion in revenue that goes immediately into the Federal Treasury. It goes into the general revenue pot.

Customs in its collections of duties, tariffs, and fees is one of the biggest revenue producers we have, revenue generators, in the Federal Government. When I was a Member of the House, I actually had a revenue sharing act, Customs act, that, say, ½ of 1 percent would come back for the maintenance and improvements of ports, because airports have a trust fund, but seaports are out on their own, and thus comes the battle for dredging. The delegation is well-known for its battles, and so on.

I am not saying that I am going to propose that revenue sharing. I am waiting to see how this summit goes, the budget summit. But I think if we are going to look for revenues for seaports, a modest attachment of Customs revenue would be appropriate, because so much comes into our seaports. In other words, back to harbor maintenance, and then think of it in——

Mr. SHAPIRO. On exports, it is certainly a barrier to trade. There is no reason to have a fee on exports, and if you bring an export down the river from Chicago to New Orleans you pay it twice.

Senator MIKULSKI. And Customs would be a fee on both exports and imports, but primarily on imports. And it could be a way that, given the high level of imports, we could benefit particularly seaport modernization, which is so essential to our competition posture.

I want to talk about foreign business subsidies. You spoke about them, Mr. Bowe, and how you go up against countries.

Mr. BOWE. Absolutely.

Senator MIKULSKI. And I wonder if you have any recommendations on how we can deal with that. For example, AID tied to exports, and so on.

And Ms. Chaplin, I wonder, in your work with Maryland small business if you run into that factor—that one of the discouragements to foreign trade is the fact that we go up against these high levels of foreign subsidies or nationalized corporations, so that if Specialty Steel is out there competing against a nationalized steel industry, boy, that is not even an uneven playing field; that is a tilted playing field.

Do you have some thoughts on that?

Mr. BOWE. A couple things. I think it is important that the foreign service continue to recognize that trade is a legitimate purpose of our foreign diplomacy, and I think that progress has been made in that regard, but it needs to continue to be emphasized and re-emphasized.

We need those allies in our overseas offices. We have embassies and consulates throughout the world and they need to be thinking about trade interests specifically. It is something again that can always be emphasized.

Ex-Im Bank, its funding has basically been wiped out in terms of direct lending. The budget authority for that is down to a few hundreds of millions of dollars, compared to billions.

Any exporter in capital goods has to say, do not cut out Ex-Im Bank. It has a role as an independent risk-absorbing entity that commercial banks are not going to get involved in. And retain the war chest as well as a specific agenda. The war chests, like section section 301, are weapons that you have to use carefully. Obviously,

you do not want to pull the trigger. Remember, if we ever pull the trigger on any country the U.S. consumer is going to lose as well.

But I think we have to recognize, wherever you come from, the threat of section 301 has been very effective in making trade partners change their habits. Now, whether they follow through and implement, we will have to stay on top of that. It is important what section 301 has done with the Japanese, the Taiwanese, the Koreans to avoid getting on that list or, if you are on it, to get off.

Senator MIKULSKI. But you know, we talked about some years ago, about for example the use of AID as personnel training, and I wonder what your thoughts are in those kinds of things, where it is not a subsidy, but it is certainly value added to an export.

Let me give you a concrete example. Let us just say Mack Truck was going to sell to a western African country. Mack Truck's deal was they sell the trucks, but AID works to fund not only the training of the drivers, but the training of the mechanics overseas, to keep them repaired and rolling through rather rugged terrain. The one then enhances the other.

Westinghouse—through not a small business—as it was competing in Poland for the air traffic control package, was offering a total package of not only selling of the hardware, the air traffic control equipment, but was going to initially operate it, as air traffic controllers, and maintain the equipment. It was then going to train Polish nationals in being air traffic controllers as well as in the operation and maintenance of the equipment.

That is a pretty interesting contract because it is capacity-building in emerging democracies or in the Third World. You are literally building the capacity for self-sufficiency.

Mr. BOWE. And every developing country wants to develop local expertise.

Senator MIKULSKI. What do you think of tying AID to exports? Japan, I think, mandates that in order to get foreign aid you have to take their exports; is that right?

Mr. BOWE. To a large degree. They are getting better, they say, and statistics endorse that, that the tied aid is dropping. It is still much greater than ours. I think we can continue to pressure them politically.

The TDP concept is a very good one, especially in capital goods. I mentioned earlier on that——

Senator MIKULSKI. Do you want to say, "TDP"?

Mr. BOWE. The Trade and Development Program, which funds feasibility studies as much as anything on major projects. I mentioned earlier, the typical gestation period for us is 5 years. What is going on in that 5-year period is a project comes up, whether it is through private sources or public sources, and it is evaluated by consultants, and then its viability and feasibility studies are done.

This is not just dredging. It is mines or powerplants or all the kinds of things that use capital equipment.

And the concept of TDP is that by using a U.S. consultant they will then be oriented favorably towards U.S. producers of the equipment which will be necessary, or services, if that project ultimately proceeds.

I find that our competitors do have that. Australia has that, Holland has that, Germany has that. It is a very good idea, and it does

not take much money. They use a guideline, I think, they want $50 of potential exports for each dollar of feasibility study funded, and frequently that is not very hard to meet.

I continue to support that, that concept, a useful tool in capital goods long-term projects.

Senator MIKULSKI. Well, this is a tool that I am a big backer of, because I have heard it from you and from other Marylanders. It was essentially a $25 million appropriation in AID. We played a role, working with Senator Leahy, to take it to $30 million because we felt it was, again, an important tool, and for a very modest amount of money we get a lot out of it.

Ms. Chaplin, do any of your small businesses in the Chamber talk about going smack up against foreign subsidies and their frustration?

Ms. CHAPLIN. Not as much as Mr. Bowe is mentioning. Most of the people that discuss this with me on my committee are really relating to finished manufactured products or services, so they are not coming and discussing the problems that Mr. Bowe faces, although he is a member of the committee, but we just have not talked about that aspect of export restriction before the committee.

One of the things, though, I would like to say is that we find as a general attitude that tying national security and foreign policy to aid—to trade, I should say, is something that we would like very much to have changed, because just really, what happens is, as Mr. Bowe mentioned, is that when trade is affected by a foreign policy restriction the items are just sourced elsewhere and we lose out.

Senator MIKULSKI. Are you talking about the Technology Transfer controls?

Ms. CHAPLIN. I am talking about everything—grain, anything. I am talking as a general philosophy and I am speaking very generally at the moment. It can be the grain embargo, it can be Technology Transfer, it can be really anything that is connected with restriction on our manufacturers trading overseas.

It simply means that the potential foreign buyer will source somewhere else.

Senator MIKULSKI. I think that one of the big opportunities now with the easing of the cold war is revising Technology Transfer controls, particularly for those things that we might call "over the counter" technology, like air traffic control equipment. That is no longer a secret technology. The issue of reverse engineering is no longer the issue, even if we were focused more rigidly on security concerns.

And yet it was one of the issues that came before us as Westinghouse—which is doing what we want them to do--convert more and more to civilian and away from DOD dependence—sold to a country that needs to modernize itself. We found two problems: No. 1, technology control initially as we work with them; and No. 2, even after they won the contract, France went back to the Polish Government and wanted it rebidded, even though Westinghouse had won it fair and square, and to rebid while they added other governmental sweeteners.

Now, that is a big business. Westinghouse had both the time, the expertise, and the deep pockets to do the research and so on. But somebody starting out with a new product could not do that.

Is this what your people run into, or is it so overwhelming they cannot even think about it?

Ms. CHAPLIN. I think they are just overwhelmed. Those who do not export at this point, they hear the stories that we are talking about now. They are afraid they will not get paid. They are afraid that the cultural differences will inhibit their ability to sell overseas, and so they would rather avoid it.

As Mr. Shapiro said at the beginning of his introduction, this has traditionally not been an export-minded country. And I think that we need to instill a global attitude in our people, not only at the business level, but at much lower levels of education.

Senator MIKULSKI. Particularly when some kids cannot even find Antietam on the map.

Ms. CHAPLIN. That is absolutely true.

Senator MIKULSKI. Let alone Antigua.

Ms. CHAPLIN. Yes.

Senator MIKULSKI. I want to move to this idea of promotion and changing attitudes, and so on. But while we talk about foreign subsidies, there is a Federal tax exemption on export profits.

Ms. CHAPLIN. Right.

Senator MIKULSKI. Ms. Chaplin, do many small businesses know about that tax advantage of a 15-percent Federal tax exemption on export profits?

Ms. CHAPLIN. You are talking about the FSC, I think?

Senator MIKULSKI. Yes.

Ms. CHAPLIN. Most of them do not know about it, and those that do are also inhibited by it. It has a lot of rules and regulations. There are some shared, what are called Shared FSC's. The State of Delaware, for example, has one. But even those require a minimum of—I forget the numbers now, but there is a substantial amount of export profit that has to be gained overseas before it really makes it feasible to get into even a shared FSC.

Senator MIKULSKI. Tell everyone what a "FSC" stands for? Do you know?

Ms. CHAPLIN. I do not know exactly.

Mr. BOWE. Foreign Sales Corporation.

Ms. CHAPLIN. Exactly, Foreign Sales Corporation.

Mr. SHAPIRO. It used to be a DISC.

Ms. CHAPLIN. It used to be a DISC, I know, but then they changed it. It used to be a Domestic Foreign Sales Corporation.

Mr. SHAPIRO. That violated GATT or something.

Ms. CHAPLIN. Yes. The way that—its predecessor was found to violate GATT. This does not violate GATT because you have to be established overseas, and that is the problem. Setting up a presence in an overseas country, even though it is a paper presence and even though it is really largely a fiction, is still very inhibiting to small businesses.

Senator MIKULSKI. Because again it is something so unfamiliar.

Ms. CHAPLIN. Yes.

Mr. SHAPIRO. Senator, before you leave that, could I make one comment?

Senator MIKULSKI. Yes.

Mr. SHAPIRO. Our tax laws are such that we are at a distinct disadvantage. Our corporate income tax is built into our prices for

export. Our trading partners, who have value-added taxes, rebate those taxes on exports, so they have very much of an advantage over us.

When the tax laws were changed I mentioned to Senator Bradley at a hearing that we should consider some way to rebate the taxes, maybe without going to a VAT. But we cannot under GATT rules rebate our corporate income tax. It is a very important part of our competitive edge.

Senator MIKULSKI. Mr. Earle, I know we have been going down the line. I want to come to you, first to see, No. 1, how you would like to comment on the testimony you have heard, and, No. 2, to see what the Department of Commerce does to deal with some of these issues.

Mr. EARLE. Thank you, Senator.

Let me comment quickly on the shared FISC. I think you need $50,000, a company needs $50,000 worth of export profits in order to engage in a FSC.

I learned last week that the World Trade Center in what will be the PortAmerica World Trade Center, the one that is currently in Arlington, VA, is organizing one that will be available soon for 25, up to 25 companies. What is interesting, too, companies, if they have like-interests, like-products, complementary products, it would be possible for companies to tackle a foreign market like Eastern Europe as a unit, go into a shared FISC and set up such a thing.

And with these that are in existence, like the World Trade Center one, and North Carolina is developing one, and also there is one in New Jersey, you do not have to be from any one State. You can be from another State and join these things.

And if we had more aggressive companies, small companies, particularly if the companies knew and a lot more were educated better in the tricks and trade of export, it would be possible for a bunch of small companies to band together and use that facility.

Now, back to your question, what the Commerce Department's view of all this is?

Senator MIKULSKI. Yes, and really also the Commerce idea on—I think what emerges is, No. 1, our national attitude not to be exporters. Our market was so big there was little incentive to become exporters, but now we must be. That is No. 1, the attitude changes.

And then the other is promotional, not only in terms of trade shows abroad, but the kind of information small business needs to develop an awareness that even the little guys can be out there competing. It is not only the Westinghouses and the Martin Mariettas or the Smith-Klein pharmaceuticals, and so forth.

Mr. EARLE. OK. Permit me to generalize just a little bit. What I will say is in line with the Department's views and policies, but my experience indicates there is lots of information. Everyone has a piece of information: The Federal Government, clearly the States have information, private entrepreneurs, private companies are in the business who offer consulting.

There is a lot of information out there, and I think the greatest challenge is putting that information to use in intelligent ways. I do not know of any shortcuts. I do not know of any shortcuts that are available.

I think that Ms. Chaplin hits upon a very important point, and that is that the responsibility ultimately lies with companies, individuals, Americans. We are just a different kind of country, a very democratic, free Nation, sort of multidisciplinary, multifaceted. It seems like everybody gets into the act of making decisions. Perhaps that is why we have so many laws that seem contrary.

So I see the long-term challenge to get people, companies, to sort of find a solution themselves, using the good help of the Federal Government, the States, whatever, but acting intelligently on their own.

Senator MIKULSKI. Mr. Earle, let me just insert here, because we are going to be together for about another 15 minutes. First of all, if you are a small business—and I am sure Ms. Chaplin and Mr. Bowe can speak to this—if you have 50 or fewer employees, you are so obsessed with putting your product out into the marketplace, managing benefits, shopping for health benefits; shopping for a market, just trying to run a small business, to then say, well, I am going to find out how to break into Czechoslovakia. That is really, I think too much to ask of a small business, even though it might be interested.

So my question is, what do we do in the way of consolidating information, I mean putting it all together in one-stop shops to put it out? And what are the means to make information available?

What does the Department of Commerce do? Does it work directly with local Chambers of Commerce? Does it hold workshops? Does it publish materials, and so on, that do these kinds of things, focusing particularly on small- to mid-sized business?

Mr. EARLE. It does all those things, indeed. It collects the data and it is doing its level best to make that data available as quickly as possible. There is no shortage of publications that are put out in hardbound, hard copy. We share to the extent we can with multipliers, such as associate offices, the State of Maryland.

The State of Maryland has indeed a fine one-stop shop that uses such information. We at the Commerce Department are available a phone call away to companies. So if a company has the interest and they put the call through, one way or the other they get information, electronically nowadays.

Senator MIKULSKI. Do you do workshops?

Mr. EARLE. Yes, we do, we do. We do workshops in-house. We make it as simple as possible. Every month for 1 hour, barebones companies with hardly a product or individuals without even a company will come in and we will begin the process, telling them what they should do, what they can do in that process, what is available in the Federal Government, what is available in State government, and what is available all around.

So yes indeed.

Senator MIKULSKI. Do you think an efficient way of using some of our Federal resources would be to primarily fund trade information through a State Trade Department, like the Maryland one, because people seem to have a closer focus to State government?

The closer Government gets to the people, the more enhanced is the relationship. I am not knocking you out of a job, but we have the Maryland one, and then you read Governor Clinton of Arkan-

sas is going off on a trade mission, Governor Cuomo of New York is going off on a trade mission, all of which I think is dynamic.

Our Governor is out there now. We will look forward to his report on his trip to Eastern Europe.

But as we move to, for example, EC '92, I think people could look to Maryland even more. What do you think about that—that one-stop shops should really be focused at the State level and that is what we should think about doing?

Mr. EARLE. Well, obviously the State of Maryland has thought that is a great idea, and it appears to work very well. No doubt at all, the Federal Government could never be big enough or have enough money or enough people to do this whole thing alone.

And there has been a conscious effort to share information and by all means let others step up to the plate and do what they can do and do very well. So we have no fear whatsoever of losing any jobs. We need all the help possible.

And I think these missions absolutely demonstrate at the grassroots that people are interested, Government people, legislators, and also companies. The more the merrier. We probably could use 10 times as much activity.

Senator MIKULSKI. I really would like my other panelists to add their views on this. Foreign governments have all of their export programs in one agency, and my question to you is do you think that that is a good idea, No. 1? And No. 2, in terms of promoting exports, getting out, beginning to create the awareness, and also the technical assistance, that we should have a dispersal of agencies working on it, or do you think we should consider directly funding these State agencies, like the Maryland Department of International Trade, to then work with the businesses in their area?

What do you think, Peg, Peter?

Mr. BOWE. Let me jump into that.

Senator MIKULSKI. Peter, do you want to?

Mr. BOWE. I do not know enough to say that every country does that. Japan has the reputation of MITI, the Ministry of International Trade and Industry.

Senator MIKULSKI. Many of our foreign competitors do.

Mr. BOWE. I think a tendency in that direction is probably positive, because it leads to a greater uniformity of objectives.

You used the comment earlier, "Yankee peddler," which I hope I qualify for. I am not quite sure I know what that means, but it is interesting. I would say again that our focus as a country in our overseas endeavors other than Commerce has never been—the business of our overseas offices and people is peace and diplomacy, and to promote trade requires a focus within Government that we have not yet had.

I think that if you put those things together it would be more clear. The Commerce Department itself went through a reorganization a few years ago in terms of the role of their local consulate commercial counselors, that they now—I think they were part of the State Department, and they are out of State now, as Department of Commerce people, and that relationship is better.

Your idea of working with the State of Maryland, I think, is an interesting one, as long as—the one caveat I would have is if you

had only, let us say, a Maryland International Trade Group, because you would not want to lose access to what is going on in Caracas, for example, and the Maryland State people in this case happen to know Caracas, but they might not know Sao Paolo, Brazil.

And somehow you have to have that Federal connection.

Senator MIKULSKI. Peg.

Ms. CHAPLIN. I think that would be our strength, actually, because we are strengthening, the States are strengthening, their international trade offices. And if there were at the Cabinet level, which has been discussed over the years, an Office of Trade or something like that, I think that it would do what is necessary, and that is bring trade into consideration in governmental decisions.

But it would enhance our Government and our position, because it would have the States working together with the Federal Government in a real dynamic effort, I would think. And I think if we did something like that, that might be able to put us in the forefront once again.

Senator MIKULSKI. Sig, did you want to comment?

Mr. SHAPIRO. I am against it.

Senator MIKULSKI. Are you? Why?

Mr. SHAPIRO. I think it gives the bureaucracy a chance to grow, and I also think it gives the President another weapon. If you get some anti-trade President, he would have a Cabinet officer that he could direct not to do certain things.

I think that conversation between the Department of State, the Department of Commerce, and the USTR, the U.S. Trade Representative, is the best kind of thing to do, and I think it ought to be as disparate as we can make it, but that everybody's consciousness ought to be raised that trade is an integral part of this country, and we cannot start bashing our trading partners without bashing ourselves at the same time.

Senator MIKULSKI. What about the idea of Commerce or Federal funding being more closely linked with State-based trade agencies?

Mr. SHAPIRO. I have seen a plethora of these things coming around and, while the Maryland Department of International Trade has been helpful to some of my clients, I am seeing now subgroups coming in. I am meeting later in the week with an educator who wants to talk about some kind of a group that is going to do international trade.

And as Mr. Bowe said and also Mr. Earle, the bottom line is that somebody is going to have to get out there and say: I know I can sell my product to Czechoslovakia. And the bottom line is, you ask the right questions and you start shipping the goods.

And all of the education in the world and all of the sophisticated techniques do not mean a thing unless you want to sell your product.

Senator MIKULSKI. Well, one of the things that has been talked about is something called Export Management Companies. You are familiar with that? Which is firms that produce the same product or produce complementary products. Under the EMC framework they are allowed to share information on markets, share computers and employees, and actually put together a plan to present to a

lender. This approach then deals with also some of the anxieties that you talked about.

Do you think that the export management corporations could eliminate some of the anxieties and cost concerns of small business?

Ms. CHAPLIN. Yes. The problem with export management companies that I see—there are many of them around, actually, and one of the problems for them as a long-lived business is that they help small businesses get started in export trade and then, once the small business is past the toddling stage and is able to walk on its own, it does not need an export management company any more and starts doing it by itself.

So that is one of the problems with export management companies and their own longevity, and that is probably why you do not see as many of them around as you might like to. But they are very useful in that they do assist people in getting started and provide a great deal of expertise.

And actually, an export trading company, which can be an export management company, can also do a domestic deal and then take the product and sell it overseas itself. So there are these concepts around and legislation on the books which actually facilitate trade among people who are in a like position with their product.

Senator MIKULSKI. Anybody else? Mr. Earle, you want to comment?

Mr. BOWE. The Export Trading Company Act was passed almost 10 years ago. I think that has been a real disappointment. And I think it says that the legal constraints and organizations are not really the answer. It gets back to Mr. Shapiro's comment of, does the guy with the product want to make the effort to sell?

I think that there will be middlemen, if you will, who will take the initiative and make some of these transactions happen. I do not think they need special support, endorsement, or encouragement. They will happen of their own accord, people who put one and one together and get three, and there are a number of those in America.

Senator MIKULSKI. Mr. Earle, do you want to comment?

Mr. EARLE. Yes. I agree that there is a lot of facilitation on the books, like trading companies and EMC's. We just gave an "E" Award, or the Department gave an "E" Award for excellence, 2 weeks ago to Baltimore Air Coil. They used Rock International in their infancy. Then when they grew large enough to handle their own affairs, they went off on their own.

I think that is a natural kind of a growth. I think that there are probably plenty of things on the books for the companies that are aggressive and have a keen new idea, and in the age of new technology what appears to be happening, the State of Maryland particularly is looking and hoping for a lot of new technology to come forth in small companies, with perhaps less than 50 employees, to have something that the foreign buyers will want to go out of their way to buy.

So with that effort on our part, I think that is our future, and we have to hope that more of it is going to happen. But EMC's, I think it looks fine on paper and more companies ought to use them.

Senator MIKULSKI. We are going to move to wrap up our hearing now. I know some of you have other appointments, otherwise we could dig into these in significant detail.

There is a gentleman behind you, Mr. Bowe, who had his hand raised. Did you want to introduce yourself and say something?

Mr. RITTENHOUSE. Yes and thank you for the opportunity. I am Elliott Rittenhouse. I am the State Director of the Small Business Development Center here in Maryland, and I just wanted to address a couple of the points that were raised recently as far as links between the Federal Government, the State government, and the small business sector.

One of the things we are doing with Mr. Earle's Department is something called the Business and Industry Data Center. Maryland was one of 15 States that was selected for a Pilot Project, and we have counseling centers around the State where each director was specifically trained by the Department of Commerce and the Census Bureau on how to access all the trade data and how to then implement it to the small business community. And that is a ready, available source to any small business.

And also, coming back to your comment, Senator, as to where to best direct Federal funds, the SBA of course has mandated the Small Business Development Center Program to do international outreach, and here in Maryland we are very fortunate to have the Office of International Trade, and we are working very closely with them on seminars and information dissemination to the small business sector.

Also, I think one of the interesting concepts; Maryland is one of eight States in the country that runs their Small Business Development Center Program out of the State development office, and that brings it down to a much more development-oriented, economic growth-oriented program.

Last year for example, in our first year, we ran 123 seminars and had 4,000 attendees. We use those to do international trade and outreach.

Following up Mr. Earle's comment about counseling, we counseled over 1,100 people, small businesses and entrepreneurs, one-on-one, in just our first year. So from almost a selfish point of view, I would like to see the funding for the SBDCs increased as far as the international outreach part of it is concerned, and the more funds we can develop, we can have specialists who go out and counsel people one on one, help them work directly with the OIT, work on legislation such as tax credits; perhaps also pointed toward research and development for export products might be another aspect to look at.

Senator MIKULSKI. Your funding is both from Federal SBA and Maryland?

Mr. RITTENHOUSE. Yes. We have a unique setup that way in the country out of the 54 national programs. The SBA funds us and the General Assembly matches those dollars one-for-one.

Senator MIKULSKI. That is the kind of thing I was looking at to maximize our resources.

Also, as I noted earlier, Mr. Zassenhaus was here. Did you want to make any comments? I thought you might be in Czechoslovakia now.

Mr. ZASSENHAUS. No. Thank you, Senator. I wish I were. Thank you for the opportunity.

I just wanted to say a couple of things.

Senator MIKULSKI. Do you want to stand up? I think we could hear you better.

Mr. ZASSENHAUS. No. 1, I think Mr. Shapiro, Dave Earle, and Peter Bowe are all correct in the sense that it is really the individual company that takes the risks to get into the international market.

I think they all also agree we are not pushing firms enough into what are larger markets overseas. And the concern that I think we also all share is, what sort of a push do we give them and how do we really make it a meaningful push?

Certainly one of the biggest problems is providing meaningful information to individual companies so that they can take the leap, so to speak, internationally. The question you raised about sharing of information and the developing of information that Mr. Earle talked about are crucial. There is a lot of information out there, but the ability to disseminate it and provide value added is I think lacking. It is something that this country does a horrendous job of.

Hopefully, with the National Trade Data Bank, with a centrally administered information data base through CIMS in Commerce and making that available to other business allies, let us call them, is a way of helping smaller businesses look to overseas markets.

Whether they use the SBDCs or whether they use the State, it does not matter. It is a question of getting the proper information in the hands of the individuals and providing value-added to them so that they can make a value judgment.

The other thing I just wanted to say in terms of Peter Bowe's remarks is, I am really very happy to see what is happening at the Department of Commerce and in overseas posts, in the attitudes that ambassadors now have, the attitude that the Department of Commerce now has in supporting its field network.

The idea that more commercial counselors are actually involved in counseling, rather than just management, is I think very good to see and hear. The idea that the State Department is encouraging ambassadors to become more commercially oriented also is very good to hear.

And Mr. Bowe talks about his competition in Egypt or his opportunities in Egypt. It is the Ambassador there that supported the efforts. Also in Yugoslavia, the same thing. The commercial section and the ambassadors are increasingly getting involved, and that cannot stop.

If there is a bottom line to this whole thing, it is individual support to individual companies, and that means we need to pick winners. That is very, very important.

The idea of linking funds with the States, again it is just another mechanism, I think a practical one, of leveraging resources. More and more States, more and more organizations, are becoming involved in international trade, and I think there has to be a way that the Federal Government supports that initiative rather than competes with it.

I am obviously in favor of a pump-priming mechanism. And I am in favor of the Department of Commerce's new initiatives to get

more resources and support to the field, and I am hoping that that translates into more resources domestically as well as overseas.

Thank you for the opportunity to be on the soapbox. I appreciate it.

Senator MIKULSKI. Well, I have been on one, so I can appreciate it.

There are many areas that we could pursue in this hearing. Some are beyond the scope of the Commerce Department. First, I think that in order to really enhance our trade, No. 1, you really do need Presidential leadership and the bully pulpit of the Presidency to stress that an important part of our foreign policy is trade. If we have made the world safe for democracy, we have made it more accessible to our producers, because everywhere people are quoting now Lincoln, not Lenin, and for all intents and purposes communism is dead. Still, socialism is alive, even in Western Europe. That is where we run into some of our competition.

But my point is that now we have to really focus on trade. That is the point of the 21st century. We are on the brink of a whole new era in this planet. We now have to think globally and work locally to be part of the global economy.

I have always been concerned that we win the Nobel Prizes and other people win the markets. We have to think of not only research, but product development, taking our research and developing it, going from the new ideas to the new products that people want to buy. That is one whole thing.

The other is in the field of education. You may say, well, how does education relate to this? Not only the education of the small business entrepreneur that he can sell in Czechoslovakia or Costa Rica, but the fact is that we neglect foreign languages and geography in our educational system.

If the kids do not know where Gettysburg is, they sure do not know where the rest of the world is. And I am a strong believer in enhancing our math and science capability. I think that is important.

But we should never forget those parts of our social studies that are part of our future, which I believe are languages, history, culture, and geography. Not only should every child know where the major capitals of the world are, but what foreign nations do and that we want to be part of it. We must begin to create that awareness, and our educational system is a part of it.

And then far more concretely, we hope to be able to work very specifically in enhancing our Customs operations. Mr. Shapiro, like you, I have met this new Customs chief and I think she is fantastic. One of the first things I asked her, was: What are your goals?

And she says: We are going to fight drugs, just as the President has committed us to do, but we are also going to fight for markets, and we want to do all that we can to enhance and re-energize the commercial sector of Customs. We are going to work with her on the adequacy of resources, the number of inspectors, as well as their training and their upgrading for this function.

The other area that we look to work for in foreign policy is to reshift the Technology Transfers. We have, as you know, with Commerce a list of very stringent export controls, and they served us well during the very chilly days of the Cold War. But now, what

made the world safe now places the United States at risk in terms of its ability to trade around the world.

I am not saying abandon export controls, but they need to be re-examined, particularly in light of what is now "over-the-counter" availability, like air traffic control equipment and other kinds of products the newly emerging nations will want to buy, particularly in the area of telecommunications. Air traffic control systems are an example of the kinds of things an American firm like Westinghouse is looking to shift to that it would be very important for us to be able to sell.

And you know what we will do? We will be building their capacity. If we can help Eastern Europe get a good air traffic control system to enhance their airports, both parties benefit. I know Hank Butta is with the Governor now in Eastern Europe, and if the Poles take a look at AT&T and our local Bell service companies to modernize their telecommunications, those facilities alone, buying American products, will again benefit both.

They have to skip 50 years of the industrial revolution, and they have to do it in about 50 days.

So the other area we intend to work in is a re-examination of the Technology Transfer controls so that we get the chance to sell what we make and what other countries are now selling, at no negative risk to our national security.

And the other will be how we can enhance the Commerce Department in its role in promoting trade, as well as small business. What is so interesting is that, just like all the agencies are spread out through the Federal Government, the one-stop shop for State Department and Commerce is the Appropriations Committee, chaired in the Senate by our good friend Senator Hollings.

There, when you are actually looking at the funding, putting the money in the Federal checkbook, you have the State Department and the Commerce Department in the same appropriations. I believe that Appropriations Committee is where a lot of the dialogue is going on.

And I think we have fantastic new markets. We have got Eastern Europe. We have EC '92. The harmonizing of the tariff system, what we call trade Esperanto. Even things like standardization of electrical outlets and all of those kinds of things, which means new opportunities for hand tool manufacturers, not only the big guys like Black and Decker, but Iasco that used to be in hand tools and others. It could offer tremendous opportunities.

Peace to Central America now, with the Chamorro Government and the stabilization in the Panama area, could offer again just tremendous opportunities in Central America.

And if ever a country needs to get on its feet, it is Nicaragua. And then we can look to the Pacific Rim.

I could take us on a trip around the world just sitting here. I know you go around every day with your telephones and your salesmen.

I want to thank you, Mr. Earle, for your contribution, and to the Maryland business companies. I think we have learned a lot. We have a record here for the Small Business Committee, which we are going to take to Senator Bumpers and others as we work on this.

I know small business right now sees the Federal Government as its enemy through mandated benefits. Of course, my position is if they would do some more of these voluntarily we would not have to mandate them.

But we would hope that the Federal Government is a major help to small- and mid-sized business in getting into the export business, and you have been very helpful. Thank you, this Committee stands adjourned subject to the call of the Chair.

[Whereupon, at 11:50 a.m., the Subcommittee was adjourned.]

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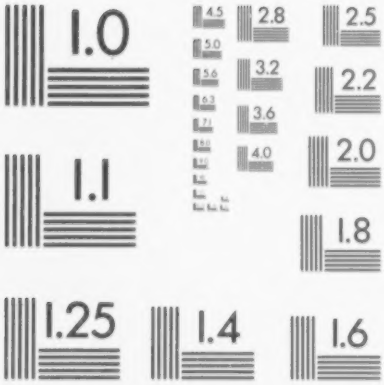


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